



# IndiaFood

FOODS, BEVERAGES & INGREDIENTS DIGEST  
February / March 2008

## Executive Summary

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**Hindustan Studies & Services Ltd.**

MF-104, Ajay Tower, E5/1 (Comm.)  
Arera Colony, Bhopal – 462 039, India

[info@hindustanstudies.com](mailto:info@hindustanstudies.com)

<http://www.hindustanstudies.com>

Co-Publisher

**DNP Information & Analytics Pvt. Ltd.**

103, 1<sup>st</sup> Floor, Bhavani Industrial Estate, Opp. IIT,  
Powai, Mumbai – 400076, India

[indiafood@infolitics.com](mailto:indiafood@infolitics.com)

<http://www.infolitics.com>

Marketing Associate

**Mr. Mark Frey,**

Bernstrasse 22, CH-3312 Fraubrunnen, Switzerland  
Tel/Fax +41(0)31 767 85 33, Mobile +41(0)76 459 17 51

[fryma@bluewin.ch](mailto:fryma@bluewin.ch)

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28th of February is an important day in India. This is the day when Finance Minister presents the Union Budget to the Parliament. With liberalization and exit of government from many fields, the importance of budget has decreased over the years. Yet, it is an important event that no businessman can afford to ignore. Modification of tax rate or structure can bring cheers or tears in the eyes of even large corporate houses.

Budget of 2008 is seen as a please-all budget since it is widely expected that this may be the last budget before the next elections, even though the present parliament's term ends in May 2009. There are no major concessions for the corporate sector since the government needs all the funds it can get to announce populist measures. So, by and large, business houses are disappointed. Yet, two measures have brought relief to companies. Finance Minister has lowered the general rate of excise duty (cenvat) from 16 per cent to 14 per cent and has announced a reduction of central sales tax (cst) from 3 per cent to 2 per cent. Every section of the industry had a wish list. Though most of the wishes have remained unfulfilled in the budget, business and industry are heaving a sigh of relief since there are no additional taxes.

A day before the Budget, it is customary for the Finance Minister to present an Economic Survey to the Parliament. This year's Economic Survey was weighed down by fears of a slow-down. Though the Survey pushed for reforms, it said that inflationary impact of foreign funds flow, a slowdown in the US, an appreciating rupee and sluggish infrastructure sector were major challenges before economy. According to the survey the economy is projected to slow down to 8.7 per cent in 2007-08.

### State of the economy

- FY'08 economic growth at 8.7%, against 9.6% a year ago
- Inflation rate to decline to 4.4% (5.6%)
- Farm growth seen at 2.6% (3.8%)
- Foodgrain output seen at 219.3 million tonnes (2173 mt)
- Industrial growth slower at 9% in first 9 months of FY'08
- Costly rupee, sluggish consumer goods and infra a concern
- Average credit growth slowed to 22.2% (31.9%)



Confirming fears of a slow down, India's GDP expanded by only 8.4 per cent in the third quarter of 2007-08. International Monetary Fund said the country will grow at more than 8 per cent this year. Of course, IMF considers even 8 per cent as 'wonderful' considering the forecast of a global growth slowdown.

Stock markets have a tendency to react to bad news even before anyone even knows the news. Fears of a slowdown coupled with poor signals from USA have caused a crash in Indian stock markets. On 8<sup>th</sup> January the benchmark Bombay Stock Exchange Sensex was 20,800. On 18 March, it had fallen to 14,809 – a fall of nearly 30 per cent.

(Continued on next page)

The stock market crash has left investors bruised. But, the Government of India has other worries on its head. Commodity prices have been rising. Inflation is touching 7 per cent. This is very unnerving for the powers in a year when 10 states are due for elections and mid-term parliamentary elections cannot be ruled out.

To control prices, government has reduced import duties on edible oils; has banned export of edible oils; and has put curbs on export of non-basmati rice. In addition, monetary measures are also being implemented to control inflation. All these measures will also put some brakes on growth. Let us hope that the government led by an economist (Prime Minister Manmohan Singh) is able to strike a balance between inflation and growth.

Food processing sector has been growing in India at a rate which is higher than the GDP growth rate. During 2006-07, the sector grew by 13.7 per cent. Even though, GDP growth may slow down to 8 per cent or so, we expect the food processing sector to continue with double-digit growth rates.

However, we tend to agree with the fears expressed by some about the massive expansion currently underway in Indian retail industry. A survey says that Indian consumers look for value-for-money. This is going to be the biggest stumbling block for modern retail in India. Swedish firm IKEA thinks that the Indian retail market is flawed and that it is not even an 'emerging one' worth entering right now. That may be a bit extreme view. But we cannot fault an expert who says that consolidation in the retail industry will result in nearly 50 per cent of the malls shutting down by March 2010 and the hoopla surrounding the sector will considerably subside by then.

Talking of consolidation and realignment, it is worth mentioning the turmoil at India's largest liquor king's durbar. Mr. Vijay Mallya runs the UB Group as his personal fiefdom in a flamboyant style. He has also been talking of global ambitions. So, eyebrows were raised when the news came about Heineken's entry into Vijay Mallya-led United Breweries (UB), following a joint deal with Carlsberg to acquire Scottish and Newcastle (S&N) for USD 15.4 bio. Mr. Mallya does not like to share power and he is not likely to welcome Heineken as a partner. At the time of writing this, the two sides were in talks. Let us hope that an amicable settlement is reached.

Just as Mr. Mallya is the liquor king of India, Mr. Chougule of Champagne Indage is the king of wine. Of course, Mr. Chougule is no match for charisma, clout and style of Mr. Mallya. Yet, slowly and steadily, Mr. Chougule is moving towards becoming a global player aiming to get 4 per cent of the world's wine market. As part of the global ambitions, Champagne Indage is set to buy Australian Vintage's Loxton winery for 60 mio Australian dollars (USD 54.6 mio). We raise a toast to Mr. Chougule wishing him all the best.

Global ambitions seem to be the fashion in Indian business today. But that is not because there is a dearth of business opportunities within India. High growth, good profits and abundant availability of skilled managerial and technical manpower have created a combination that is making Indian business houses aim for the sky.

We invite you to be a part of this new emerging scenario. Please feel free to get in touch with us to discuss how we can assist you to understand and operate in this ancient and complex country.

Anil Chawla

## *Food Industry Overview*

- Pushing for reforms, the Economic Survey has said inflationary impact of foreign funds flow, a slowdown in the US, an appreciating rupee and sluggish infrastructure sector were major challenges before economy that is projected to slow down to 8.7 per cent in 2007-08.
- Confirming fears of a slow down, India's GDP expanded by a tardy 8.4 per cent in the third quarter of 2007-08 primarily due to sluggishness in manufacturing and construction sectors.
- International Monetary Fund said the country will grow at more than 8 per cent (this year), which was 'wonderful' considering there was forecast of a global growth slowdown.
- Free Trade Agreement between India and Israel is likely to be in place by November.
- India's reserves rose USD 6.6 bio during the week ended February 29, to cross the USD 300 bio mark. This makes India the fourth-largest financier of the US current account deficit.
- Centre for Monitoring Indian Economy has projected industrial expansion at 10.4 per cent for fiscal 2009.
- Food processing sector's growth rate was only 7 per cent in 2002-03 and it rose to 13.7 per cent during 2006-07.
- Sounding bullish on food industries and its supply chain, global major Lehman Brothers said the market for the same would grow tremendously in the next few years.
- The Government has liberalized foreign direct investment (FDI) cap across various sectors while allowing foreign investment in areas such as commodity exchanges.
- Indian food and facility services industry is growing at a rate of 30 per cent-40 per cent and is expected to sustain this growth.
- Indian markets have lost over Rs. 25,000 bio since the Sensex peak of 20,800-levels on January 8. The Sensex is now nearly 30 per cent down from the early January peak.
- Painting a gloomy picture on external trade front, the Economic Survey cautioned that the global slowdown, particularly in the US, will impact India's export growth in 2008-09.
- Organic food consumption in the country is low among educated and health conscious people in the metros due to its high cost, an Assocham study said.
- Foreign firms localize to seek a bite of India's food market – Rising incomes, more working women, modern stores and greater culinary adaptation are helping food giants such as Pepsico, Nestle, Unilever, McDonald's and Yum Brands get a piece of the market.
- Turkey has offered to have a free trade agreement with India.
- New Zealand has proposed to have a free trade agreement with India. It also wants that India import wine, dairy and timber products.
- India will bring down items in the negative list with regard to the least developed countries -- Bangladesh, Nepal, Bhutan and Maldives -- in the SAARC region to around 500 from 744.
- The US said it is not ready for a free trade deal with India as it cannot fully open agricultural imports from American farmers.

(Food Industry Overview continued on next page)

## *Food Industry Overview (Continued)*

- Surat, nicknamed as diamond city, will soon have the country's first export oriented agricultural market hub.
- The finance minister has exempted refrigeration equipment (consisting of compressor, condenser units, evaporator) above 2 ton refrigeration utilizing power of 50 kw and above from excise duties.
- The Finance Minister announced in his budget reduction in Cenvat from 16 per cent to 14 per cent and CST to 2 per cent.
- A USD 5.25 mio Bio-Food Knowledge Centre (BFKC), with participation of corporates and institutes, will be established by International Crops Research Institute for the Semi-Arid Tropics (Icrisat).
- Agriculture and Processed Food Export Development Authority (APEDA) has decided to develop direct contacts with retailers in European Union who are willing to import Indian products.
- Infosys Technologies has developed an information and communication technology-enabled application to help small farmers integrate their business with large retailers and improve efficiencies in agro supply chain.

## *Aquaculture*

- A World Trade Organisation (WTO) dispute settlement panel delivered a victory to Indian shrimp exporters when it ruled against the United States customs bond imposed on shrimp exporters from India.
- Seafood exports have suffered a major setback with volumes and value dropping sharply during April-December 2007-08.
- US Department of Commerce has announced third round of annual administrative review on anti-dumping duty on Indian shrimp imports.
- Marine Products Export Development Authority (MPEDA) is planning to set up two special economic zones (SEZs) exclusively for marine products.
- Marine Products Export Development Authority (Mpeda) is aiming to increase Tuna fish exports to USD 500 mio.

## *Dairy, Meat & Poultry*

- Skimmed milk powder (SMP) producers, who had put their expansion plans on hold last year following a ban on exports, are now set to add 200 tons a day capacity.
- Banaskantha District Co-operative Milk Producers' Union Ltd, or the Banas Dairy, a member of the Gujarat Co-operative Milk Marketing Federation (GCMMF), is all set to increase its milk processing capacity by setting up another milk processing plant near its existing plant.
- Skimmed milk powder (SMP) export has turned unattractive for domestic producers following a sharp decline in export price realization of the commodity.
- HUL and Dabur both have launched their milk beverage mixes. They will differentiate themselves through new formulations such as the promise of boosting children's intelligence.

(Dairy, Meat & Poultry continued on next page)

### *Dairy, Meat & Poultry (Continued)*

- After fighting a pitched battle for market share in 2007, the Gujarat Cooperative Milk Marketing Federation Ltd (GCMFL) and Hindustan Unilever Ltd (HUL) are now gearing up for yet another skirmish – this time in the ice cream market.
- National Dairy Development Board has kickstarted the process of merging two of its wholly-owned subsidiary companies - Mother Dairy Fruit & Vegetable and Dhara Vegetable Oil & Foods Company - as part of an internal restructuring exercise.
- The New Zealand Natural range of 100 per cent vegetarian premium ice-creams, desserts, frozen yoghurt and smoothies today opened its first store in Kolkata.
- Gujarat Cooperative Milk Marketing Federation (GCMMF), better known as Amul, hiked prices by Re 1 per litre.
- GCMMF has decided to use natural vanilla to flavor its products in place of synthetic ones.
- Authorities in eastern India have largely lifted a ban on trade, transport and consumption of poultry, imposed a week ago as part of efforts to stamp out a bird flu outbreak.
- Barely a month after the West Bengal government had announced to have restrained the bird flu virus, fresh cases of the disease have been detected in the Murshidabad district of the state.
- With the outbreak of bird flu in West Bengal, along with fresh arrivals from Bihar and Andhra Pradesh, bearish sentiments have been stoked in the maize market.

### *Alcoholic Beverages*

- Spirits majors, both domestic and international, are breaking conventions with innovative packaging solutions aimed at capturing newer markets - women and the youth - and plugging gaps.
- Indians drank 66,000 hectolitres or 8 mio bottles of grape-based wines in 2006. And the consumption is expected to triple by 2011 to reach 188,000 hectolitres.
- Driven by higher demand for ethanol for blending in petrol and production of potable liquor, price of molasses is going up. This has lead to expectations that alcohol prices will rise by between 15-20 per cent this year.
- SABMiller India has roped in nearly 6,000 farmers across 13,000 acres for contract farming of barley.
- Karnataka has toppled neighbouring Andhra Pradesh as the largest Indian made liquor market.
- UB Group is betting big on the wine industry by expanding its product basket and launching about 80 wine brands including imported brands this year.
- United Spirits has announced an initiative to improve the liquor retailing scene in India.
- Heineken is set to make a significant entry into the Vijay Mallya-led United Breweries (UB), following a joint deal with Carlsberg to acquire Scottish and Newcastle (S&N) for USD 15.4 bio.
- Heineken is set to inherit the 37.5 per cent stake held by S&N in Vijay Mallya-led United Breweries (UB), but UB has now indicated that Heineken cannot be part of UB and rival Asia Pacific Breweries.

(Alcoholic Beverages continued on next page)

### *Alcoholic Beverages (Continued)*

- Singapore-based Asia Pacific Breweries has decided to brew its international brands, Tiger and Heineken, in India and is looking for suitable locations.
- Asia Pacific Breweries Ltd. has launched Baron's Strong Brew in north India.
- Quality concerns are holding back beer giant InBev's joint venture (JV) with Ravi Jaipuria.
- Huge stockpile of bulk Scotch inventories has helped United Spirits owned Whyte & Mackay to tide over a severe shortfall of Scotch whisky globally, which has led to a steep increase in its price.
- Cobra Indian Beer has announced its collaboration with Maharashtra-based brewery Mohan Rocky Springwater Breweries.
- Hyderabad-based Mahalaxmi Infra Ventures (India) Private Limited is foraying into wine production by acquisition of Bhanodaya Wineries and its 70-acre vineyard in Tavaragiri village of Koppal district in Karnataka.
- The UK-based Cobra Beer is expanding its India play with two fresh strategic bottling alliances.
- India's leading winemaker Champagne Indage is set to buy Australian Vintage's Loxton winery for 60 mio Australian dollars (USD 54.6 mio).
- Rockman Group is all set to unveil the country's first Beer Garden (actually two), in Gurgaon in the next three-four months with an investment of over Rs. 1 bio.
- Allied Blenders & Distillers, formerly BDA Ltd, has finalized a joint venture with Berlin-based Wodka Gorbatschow KG, part of the German Henkell Sohnlein Group.
- Sentini Bioproducts, a diversified group based in Andhra Pradesh, is planning to set up a distillery in West Bengal with an investment of Rs. 400 mio by the end of this year.
- Kyndal India is set to launch its own premium brandy brand through a tie up with a south-based bottler while the brandy will be sourced from the Netherlands-based Bols Distilleries NV.

### *Non-alcoholic Beverages*

- A Coimbatore-based packaged drinking water manufacturer Sabol Associates has dared to enter the soft drinks market.
- CavinKare Pvt. Ltd has forayed into the fruit beverage market through the acquisition of a Tamil Nadu-based fruit drink brand Maa.
- Ruchi Soya Industries has forayed into the health beverages segment with N'rich protein drink under its flagship brand Nutrela.
- Sprite, Coca-Cola's lime-lemon beverage, has emerged as the country's fastest-growing fizzy beverage, ahead of colas, non-cola carbs and juices.
- Coca-Cola India has bagged Golden Peacock Global Award for Corporate Social Responsibility - 2008, for its efforts in water conservation and management and community development initiatives.
- Coca Cola has committed to more 'incremental' investment on top of Rs. 10 bio, it is pumping in next three years.

(Non-alcoholic Beverages continued on next page)

### *Non-alcoholic Beverages (Continued)*

- Supreme Court has upheld Kerala High Court's verdict quashing an order of a panchayat that cancelled the licence of soft-drinks major Pepsi's plant at Kanjikode in Palakkad district.
- Galla Foods Pvt. Ltd. is set to foray into the fruit beverage segment with mango nectar soon.
- Supreme Court has admitted leading soft drinks majors Coca-Cola and PepsiCo's petitions challenging Rajasthan High Court's judgement that asked them to specify ingredients along with pesticide levels in their products.
- Further consolidating its hold as PepsiCo India's single-largest bottling group, the Jaipuria group has acquired a controlling stake in the soft drink company's north-east bottling operations. The Ravi Jaipuria-owned RJ Corp has picked up 65-70 per cent stake in North East Pure Drinks, which is based in Guwahati.
- Pepsi is betting on kinnow and other citrus fruits and hopes to start exporting fruit concentrate, that it has just started producing for itself from Punjab.
- Amidst all the heat generated by the cola wars and the fizz created by their advertisement blitzkrieg, it is good old grandmother's-recommended cool coconut water, albeit in tetra packs, that is making a come back on the healthy drink trail of Indian consumers.
- Rasna, is eyeing a 10 per cent market share in the fruit-based drinks category with Rasna Fruitplus.

### *Tea*

- Tea industry in Assam expressed satisfaction over the allocations in the union budget for tea research and boosting production.
- A new way of producing organic tea in Himachal Pradesh's Kangra valley has appealed to the taste of Europeans, claims a tea planter.
- The secret for Indian tea industry to gain stronger foothold in the US market is to increase its supplies in the form of packets and bottles, says US industry leader.
- Tea exports fell 28.35 per cent in 2007, on lower shipments to strife-torn Iraq and an appreciating rupee.
- India's tea production in 2008 is expected to rise 4.79 per cent to 985 mio kg on higher acreage, a senior Tea Board official said.
- Orthodox tea output may rise 47.4 per cent by 2012 on good export demand and incentives by the state-run Tea Board.
- Wagh Bakri Tea Group has appointed a local supermarket chain as its UAE distributor.

### *Coffee*

- India's coffee production may reach 262,000 tons in the year to September 2008, 10 per cent lower than the 291,000 tons forecast in July by the government.
- Heavy rains that have been lashing across the South during last week of March have dampened the hopes of coffee growers with blossoming of both arabica and robusta reported to have been affected.

(Coffee continued on next page)



### *Coffee (Continued)*

- The country's coffee exports are likely to decline by 20 per cent in the current coffee year (October 2007 to September 2008) due to a slew of reasons, including a robust rupee.
- Tamil Nadu-based filter coffee manufacturer Vivekananda Coffee is looking to spread its wings to the north and western parts of the country.
- The first standalone outlet of Tata Coffee in the country, combining roast and ground coffee sales, was launched in Coimbatore.
- Tata Coffee plans to raise prices of its instant coffee exports by 15-20 per cent beginning next financial year.
- Mr. M.H. Ashraff, Managing Director, Tata Coffee Ltd, said the company is seriously contemplating acquiring a brand in Russia.
- Singapore-based food and beverage company Food Empire Holdings has launched its instant coffee brand, 'Melosa', in Chennai.

### *Food Service & Retailing*

- Swedish firm IKEA thinks that the Indian retail market is flawed and that it is not even an 'emerging one' worth entering right now.
- Reliance Retail will see a total investment of Rs. 250 bio in the next two-three years.
- Consolidation in the retail industry would result in nearly 50 per cent of the malls shutting down by March 2010 and the hoopla surrounding the sector would considerably subside by then, a brand expert has said.
- Leading rice exporter Lal Mahal Group has joined the list of firms jumping into the retail bandwagon announcing plans to invest about Rs. 10 bio for a pan India roll out of 500 retail outlets in three years.
- Indian consumers look for value for their money rather than environmental friendliness while zeroing in on their choice of grocery store, reveals a survey.
- Uttar Pradesh State Horticultural Cooperative Marketing Federation is rolling out 14 agri retail outlets in the state this month.
- With four hypermarkets under its belt so far, Reliance Retail plans a superfast rollout of these large-format stores over the next few months and expects to have at least 30 hypermarkets under two brands.
- Aditya Birla Retail is witnessing growth in South India as the retail market is organized and evolved in the region compared to rest of the country.
- Aditya Birla Retail Ltd, which has so far rolled out 430 supermarkets across the country, has announced the setting up of 12 mega stores in the hypermarket format in 2008-09.
- Zerostock Retail, which owns 'Cornerstone' brand of retail stores, said it plans to open 1,000 more outlets across the country in the coming two years.
- Big Bazaar, the largest retail chain of Future Group, is eyeing a turnover of Rs. 80 bio by the next financial year.

(Food Service & Retailing continued on next page)

### *Food Service & Retailing (Continued)*

- Spencer's Retail, part of the RPG Group, said it will invest Rs. 25 bio to ramp up its total number of stores by 2010.
- Private equity firm Kotecha Capital has picked up 49 per cent stake in the Bangalore-based US Pizza.
- Wadhawan Food Retail (P) Ltd, which entered into a management contract with Mumbai-based Maratha Cooperative Society, plans to expand the latter's chain of convenience stores by adding 10 more stores in the next phase, taking the total number to 25.
- Blue Foods, the Mumbai-based food & beverages company that operates a chain of restaurants across the country, is looking to invest Rs. 2 bio over the next two years to further its expansion across verticals nationwide.
- Kishore Biyani-promoted Future Group, in association with Mumbai-based Sankalp Retail Value Stores rolled out a new shop-in-shop format - Imported Bazaar - in Hyderabad.
- Kishore Biyani led Future Group is picking up a 70 per cent stake in Aadhaar, the Godrej group's rural retailing initiative.
- Raheja Group-owned Shopper's Stop surged 20 per cent on the Bombay Stock Exchange on reports that corporate giants like Reliance Industries and A V Birla group are interested in buying out the retail chain.
- Shoppers' Stop Ltd will be adding 2.7 mio sq ft of retail area to its existing spread of 1.3 mio sq ft over the next three to four years, as part of a Rs. 10-bio plan.
- Indiabulls has renamed Piramyd Retails' Trumart stores as Indiabulls Mart and Indiabulls Megastore.
- Losses due to pilferage or breakages known as 'shrinkage ratio' in retail parlance are eating into the bottom lines of retail majors, forcing them to take remedial measures.
- KFC, the world's largest chicken restaurant brand, is targeting 100 quick-service restaurants in India by 2010-end.
- McDonald's will set up a food processing unit in Haryana or Punjab with an investment of Rs. 1 bio to complement its sourcing activities in the local markets.

### *Snacks*

- India along with other Asian countries will be at the forefront of growth expected in the global snack foods market. The sector is estimated to grow to USD 300 bio by 2010, a new report by market research firm Global Industry Analysts says.
- Candico Ltd, the privately held confectionery player, is learnt to be scouting for a strategic investor either for a complete sellout or for divesting a partial stake.
- Gujarat Cooperative Milk Marketing Federation will soon introduce bread. Not just bread, the cooperative major will also bring in buns and cookies to hold its sway over the breakfast table.
- Australian Foods (I) Pvt. Ltd, an Indo-Australian joint venture, and manufacturers of Cookie Man, the leading brand of fresh baked premium cookies in the country, is set to roll out 100-125 outlets across the country in the next three years time.

(Snacks continued on next page)

## *Snacks (Continued)*

- Nestle is expanding its chocolate portfolio in India with an aim to strengthen its market share in the estimated Rs. 19-bio chocolate market in the country.
- Belgium-based food major Puratos is setting up a manufacturing facility in Mumbai.

## *Culinary Items*

- Pune based Sun Fruits limited was eying to forge partnerships with corporates and tea garden owners in West Bengal and other North Eastern states to bring 10,000 acres of land under cultivation of stevia, a natural sweetener.
- Calcutta High Court has allowed leading ayurvedic products manufacturer Dabur India Limited to use the name 'Glucose-D' as also the green colour for its packaging.
- Jain Irrigation Systems, market leader in drip irrigation equipment, has acquired a food processing unit in Bhavnagar, Gujarat.
- A Kerala based company has come out with an organic bio fresh fruit and vegetable cleanser.
- Marico has announced that it has sold off its processed foods business under the brand "Sil" to a Danish business house, Good Food Group.
- Ruchi Soya Industries Ltd has entered into an exclusive technology licenced agreement with NutriJoy Inc of Kansas, for its patented functional beverages and snack foods technology.
- Marico Ltd has ended its distribution alliance with Indo Nissin Foods Ltd, a year ahead of expiry
- Godrej Hershey Foods and Beverages has entered the milk modifier category with Hershey's Nourishing Milk Mix.
- GlaxoSmithKline Consumer Healthcare has announced the launch of Women's Horlicks, a health drink specially formulated for women.
- Bagrry's India has introduced Quick Cooking White Oats in an all new trial pack of 200 g.
- Ahmedabad-based Bhagwati group is set to foray into the ready-to-eat food segment targeting corporates. To begin with, the group will target Ahmedabad and Mumbai markets.

## *Sugar*

- ICRISAT is developing and promoting sweet sorghum as a major feedstock for bioethanol. Sweet sorghum is a carbon-dioxide neutral crop, which is a big contributory factor of being called a smart crop.
- Tata Chemicals has firmed up an investment of Rs. 7.50 bio in next three to four years to pursue its foray into ethanol.
- In 2007-08 sugar season, sugar production is preliminarily estimated at about 27 mio tons.
- India will export 4,124 tons of raw sugar to European Union in addition to the 10,309 tons already exported to the bloc.

(Sugar continued on next page)

### *Sugar (Continued)*

- The government has pulled up 21 sugar mills for defaulting on white and raw sugar export contracts after domestic prices started firming up.
- India, succumbing to the pressures from Australia and Thailand, has decided to wind up its subsidy on sugar exports.
- Government of India has increased the excise duty on sugar by Rs. 9 a quintal. The levy will come into effect from March 1.
- India has contracted to export around 3 mio tons of sugar so far this crop season and has shipped out 1.1 mio tons since Oct 1.
- Country's first online sugar futures exchange; Esugarindia, promoted by leading sugar producer Bajaj Hindusthan, has closed down.

### *Oils*

- Castor production in the country is estimated to jump by around 16 per cent in 2007-08 on high acreage.
- The government has banned export of edible oil for one year to check rising domestic prices and control inflation. The ban will be in place till March 16, 2009.
- With domestic cooking oil prices on the boil, the Centre has decided to waive the condition requiring the use of a minimum 12 per cent of indigenous oils in the manufacture of vanaspati.
- Solvent Extractors' Association of India is planning to send a trade delegation to Taiwan, South Korea, Vietnam, Cambodia and Thailand in the first half of May 2008 to renew contact with feed millers and importers of feed ingredient and to expand Indian export market for oilmeals.
- Soyabean production in the country grew by more than 23.68 per cent last year as a result of better use of technology and availability of quality seeds to farmers. The soyabean production rose to 9.4 mio tons during October 2006-September 2007 from 7.6 mio tons achieved in the corresponding period in the previous year.
- Soyameal exports from India may touch 5 mio tons in the year ending September, up 47.1 per cent, helped by strong global demand and a fall in domestic consumption due to a bird flu outbreak.
- Rapeseed output is expected to fall more than 15 per cent to 5.09 mio tons in 2008 as cold weather has damaged crops.
- The country's mustard meal export in 2007-08 (November-October) is likely to halve in the wake of lower mustard output this season and higher domestic consumption.
- Government has slashed import duties on all crude and refined edible oils as part of its attempt to cushion the impact of increase in the global vegetable oil prices.
- Prices of edible oil have shot up 20-50 per cent due to a sharp rise in the price of raw oil globally (news is dated February 2008).
- Edible oil and soya foods maker Ruchi Soya Industries is planning to expand its flagship brand Nutrela to functional foods and beverages.

(Oils continued on next page)

### *Oils (Continued)*

- Emami group plans to enter into production of palm oil, soya oil and rice bran oil by setting up a Greenfield unit at Haldia, West Bengal.
- Adani Wilmar Ltd is entering premium oil category with new products such as roasted coconut oil and olive oil.
- The country's vegetable oil imports in 2007-08 (October-September) are likely to be around 5.9 mio tons, up 7.2 per cent against 5.5 mio tons last year, due to lower carry forward stock of oilseed and rising oil consumption.

### *Food Additives*

- Salt industry hit by heavy rains and severe winter, might see a massive 30-35 per cent drop in production in Gujarat. Elsewhere in the country, the production is likely to come down by almost 20 per cent.
- The country's guar gum exports in 2007-08 are seen up 7-10 per cent at over 250,000 tons, on expectations of strong overseas demand amid rising crude oil prices,
- The prices of A-grade vanilla bean have dropped sharply to much below the remunerative levels, at Rs. 60-65 a kg, while B and C grades are sold at Rs. 50 and Rs. 25 a kg respectively.
- Untimely rains in March in Kerala have hit the vanilla cultivation badly. The production is predicted to slump in the next harvest season which will begin by October.
- Danisco India has announced the opening of two new manufacturing units of functional systems and enzymes with an investment of Rs. 320 mio.
- Farmers may plant less mint this year as low prices for the crop may prompt them to shift to more profitable crops.
- Indian guar futures ended sharply lower breaching the initial lower circuit of three percent, after European Union said it wants to further probe the source of contamination in guar gum exports.

### *Spices & Flavors*

- Indian spices exports to European Union are likely to come under closer and tougher scrutiny with the detection of higher than permissible level of aflatoxins.
- India exported 318,635 tons of spices valued at Rs. 31.5520 bio (USD 781.07 mio) in the first nine months of 2007-08 as against 268,120 tons valued at Rs. 25.7508 bio (USD 564.61 mio) in the corresponding period of 2006-07.
- Spices Board has launched a major campaign to control aflatoxin problem in chillies during drying and storage.
- Imports of pepper by the US during 2007 have shown a decline probably due to high prices.
- A jump in pepper exports to the European Union has, to some extent, compensated for the drop in the exports to the US.

(Spices & Flavors Continued on next page)

### *Spices & Flavors (Continued)*

- In what could be a major shift in the global pepper market, Brazil and Indonesia have overtaken India as major exporters of the spice.
- Higher than estimated output coupled with weakening domestic and overseas demand for new cumin seed crop have seen the commodity decline substantially in spot as well as futures market.
- India's cumin production in 2008 is likely to exceed the earlier estimate by 39 per cent to about 2.5 mio bags.
- A huge dip in supply has caused nutmeg prices to rise in the domestic market in the recent weeks.
- India has set a target of increasing spice exports to USD 10 bio in the next ten years.

### *Foodgrains*

- Wheat production in 2007-08 is likely to be at 74.81 mio tons, marginally lower from last year's output of 75.81 mio tons.
- India's wheat requirement will increase to 92-100 mio tons in 2020 from the current level of 65-70 mio tons, said Vinod Kapoor, chairman of Wheat Products Promotion Society.
- India, the world's biggest wheat producer after China, may not have to import the grain before August because the country has sufficient stockpiles.
- The country's maize exports may rise to a record 2 mio tons in the year to June as animal feed makers in Southeast Asia seek cheaper alternatives to supplies from the US.
- A deadly new and virulent fungus capable of affecting wheat crop has been detected in Iran.
- The government has imposed conditions on corporate houses for purchasing wheat from farmers in the ensuing marketing season beginning April 2008.
- Attracted by the growing market for sweet corn, farmers in Mysore district (Karnataka) are cultivating it in increased numbers.
- Directorate General of Foreign Trade has hiked the minimum export price (free on board) of non-basmati rice from USD 500 to USD 650 per ton and also slapped port restrictions.
- Indian Agricultural Research Institute has developed an improved variety of its Pusa Basmati-1 rice called Pusa-1460 resistant to bacterial leaf blight.
- India allowed export of 450,000 tons of non-basmati rice to Bangladesh, waiving a ban on the export of the commodity.
- Shortfall in winter pulses output and rising demand are likely to force India to import 3.5 mio tons of pulses in 2008/09 from a tight global market at higher prices.

### *Fruits & Vegetables*

- Russia will lift a ban on Indian imports of tobacco, mixed vegetables, dried mushrooms and onions.
- Paramount Farms, the world's largest producer of pistachios with headquarters in California, is planning to set up a pistachio processing, roasting and packaging plant in India, investing over USD 5 mio.

(Fruits & Vegetables continued on next page)

### *Fruits & Vegetables (Continued)*

- India's fruit exports to Europe can be drastically increased through a little innovation through proper farm techniques and ensuring efficiency in the supply chain.
- India has said presence of inspectors from the US Department of Agriculture is not required to certify irradiation of mango export consignments.
- Maharashtra is gearing up to take a share in the international banana market.
- Some Indian fruits and vegetables have been banned in countries such as China, the US and Japan, while Russia has prohibited the entry of all such items due to hygienic and other reasons.
- Kerala State-owned Cashew Development Corporation is set to enter the domestic and world market, launching its branded valued-added cashew products soon.
- Supreme Court ruled that packaging of processed cashew nuts, peanuts, almonds etc in the form of dry roasting, oil roasting, salting would attract excise duty.
- Falling cashew exports from the nation got a reprieve in December and January due to some short covering by US.
- India's exports earnings from cashew nut came down 8.50 per cent to Rs. 20.33 bio in 11 months ended February compared with a year ago.
- India's mango obsession might be as old as the fruit but the business opportunities it is creating for food-processing sector is something that has never happened before.
- Adverse weather conditions, including heavy rains, have affected mango crop in Andhra Pradesh, Karnataka and Tamil Nadu, while the prospects in Maharashtra, the largest producer of the 'King of fruits' in the country, are bright.
- PepsiCo India has started processing of Kinnows at their Hoshiarpur (Punjab) plant.
- A new hybrid cabbage seed, developed at the regional station (Himachal Pradesh) of Indian Agricultural Research Institute, may be released next month.
- Imported Washington apples are gaining popularity in India on the back of growing awareness on healthcare and better quality of life.
- Potato production in 2007/08 is likely to rise by 4.5 per cent to 28.21 mio tons on expanded acreage.
- Long winter season and better crop management has led to record potato production in West Bengal this year.
- National Horticulture Research & Development Foundation is conducting research to increase onion productivity by around 66 per cent to 25 tons an acre from the current 14 tons.
- The country's onion exports have fallen by 24 per cent to about 821,000 tons in the current financial year till February 16.
- Onion output in the year to March 2008 is likely to rise by 11.9 per cent to a record 7.45 mio tons on increased acreage.
- With ginger prices firming up due to supply shortage, farmers and traders fear cheaper imports from China.

## Biotech

- Agri-biotech sector in India has been growing at 30 per cent for the last five years, and it is likely to maintain the growth in the future as well, says a Rabobank report.
- Central Research Institute for Dryland Agriculture, Hyderabad, in association with the University of Hyderabad, is working on genetic transformation of green and black grams, which help manage biotic and abiotic stresses.
- The Supreme Court has lifted the ban on fresh approvals of genetically modified (GM) crops for field trials.
- International Crops Research Institute for the Semi-Arid Tropics (Icrisat) has joined the group of international organisations that will deposit seeds of germplasm of mandate crops at the Svalbard Global Seed Vault.



Holi, the spring-festival of colours, was celebrated in India on 22 March.  
We wish all our readers the best of spring.





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Website – [www.hindustanstudies.com](http://www.hindustanstudies.com)

Contact Person: Mr. Anil Chawla (Mobile +91-94250-09280)

E-mail: [info@hindustanstudies.com](mailto:info@hindustanstudies.com)

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Contact Person: Mr. Pankaj Kandhari (Mobile +91-98199-85859)

E-mail: [pankaj.kandhari@infolitics.com](mailto:pankaj.kandhari@infolitics.com)